

VZCZCXRO1083
PP RUEHROV
DE RUEHTV #1197/01 1561423
ZNY CCCCC ZZH
P 041423Z JUN 08
FM AMEMBASSY TEL AVIV
TO RUEHC/SECSTATE WASHDC PRIORITY 6991
INFO RUEHKK/ARAB ISRAELI COLLECTIVE PRIORITY
RUEHJM/AMCONSUL JERUSALEM PRIORITY 9850

C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 001197

CODEL
SIPDIS

E.O. 12958: DECL: 05/28/2018
TAGS: [PGOV](#) [PTER](#) [ECON](#) [OVIP](#) [IS](#)
SUBJECT: NETANYAHU OUTLINES LIKUD'S APPROACH TO PEACE WITH
CODEL PELOSI

Classified By: Amb Richard H. Jones for Reasons 1.4(b) and (d)

1.(C) SUMMARY: On May 19, 2008 Speaker of the House, Nancy Pelosi,s bi-partisan delegation met with Benjamin Netanyahu, Opposition Leader in the Israeli Knesset and Chairman of the Likud Party. Netanyahu explained his plan for peace as predicated on a two-pronged approach inside the Palestinian Territories: 1) to neutralize the threat of Iranian influence, and 2) to pursue a rapid economic development plan. Netanyahu said Likud envisioned a Palestinian state that would have self-governance but would not be permitted to hold sovereignty over air space, electromagnetic space, or border points and would not be allowed to have an army. END SUMMARY.

ECONOMIC GROWTH

2.(C) Opening the morning meeting in a frank and personable tone, and presuming that Likud might soon hold power once again, Netanyahu eagerly outlined the party,s platform for the CODEL. Netanyahu said that he wanted to see 7-10 percent economic growth achieved by Israel, asserting that this would also be good for Israel,s Arab neighbors and the Palestinians.

3.(C) Netanyahu told the CODEL that rapid economic growth is key to stemming the tide of militant Islam. He said two things would need to be accomplished to usher in peace with the Palestinians: 1) to neutralize the threat of Iranian influence, and 2) to pursue a rapid economic development plan. Netanyahu expressed his belief that an economic peace with the Palestinians would lead to political peace.

4.(U) Saying that &prosperity will bring peace,8 Netanyahu outlined Likud,s plan for Palestinian economic growth. He said that turning around the economy of one million people would be fairly easy. As an example, he said that if the Israeli government would build a safe passage to Jericho from a specially built airport, the PA would see tourism bloom. Netanyahu envisioned economic zones on the &seam line8 of PA territory, with market-based government programs encouraging trade similar to measures taken in Cyprus and Northern Ireland.

5.(C) Speaker Pelosi opined that Netanyahu,s economic development plan &would be too little, too late.8 She wondered from where investment would come, mentioning that even the Arab world seemed to be avoiding the area. Netanyahu countered by posing the example of potential revenue from faith tourism and trade, and cited Likud,s success in bringing about economic reforms when it was last in power. He expressed a firm belief that the economic potential of the region was the solution for peace.

GAZA AND ITS IRANIAN TIES

6.(C) On Gaza, Netanyahu stated that the Hamas government would have to be brought down in the short-term, but that any long-term solution would require great involvement by Egypt. He continued by saying the strategic picture looked very gloomy, considering the negative result of elections in the PA and the emergence of &another Hizballah8 in Gaza. Speaker Pelosi agreed that the push for elections in the PA was a fatal error.

7.(C) Netanyahu told the CODEL that too much time had been allowed to pass without enough action against Iran. Netanyahu warned about the danger of militant Islam, claiming that Gaza was next on Iran,s agenda after having taken over Lebanon. He also expressed his deep concern that, with Iran,s help, Gazan missiles would soon be able to reach as far as Be,er Sheva, the largest southern Israeli town. Regarding the PA, he described it as corrupt and devoid of capacity to act. He doubted that it would ever be a viable government, adding that the direct result of the Israeli withdrawal from Gaza has been the rocket attacks launched at the Israeli civilian population.

PALESTINIAN STATEHOOD

8.(C) When asked to address Likud,s position on the emergence of a Palestinian state by Rep Berman, Netanyahu stated that the party believed in a plan allowing for Palestinian self-rule with &limited sovereignty.8

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Netanyahu stated that the Palestinian,s should &have all the power to govern themselves, but none of the power to threaten Israel.8 On the condition that there would be a real partner for peace in the PA, he stated that Palestinian state sovereignty should not include control over four areas: 1) air space, 2) electromagnetic space, 3) military or defense capability, and 4) border control. Netanyahu affirmed that Likud had no desire to incorporate the population of the Palestinian territories into Israel, but mentioned that Likud,s policy was to retain Jerusalem.

9.(U) Speaker Pelosi was accompanied by Representatives Steny Hoyer (D-MD), Henry Waxman (D-CA), David Drier (R-CA), Gary Ackerman (D-NY), Howard Berman (D-CA), Nita Lowey (D-NY), Alcee Hastings (D-FL), Jane Harman (D-CA), John Larson (D-CT), Adam Putnam (R-FL), Rahm Emanuel (D-IL), Ron Klein (D-FL), and emboff.

10.(U) This cable has been cleared by CODEL Pelosi.

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JONES